[President.]

days are devoted to this Bill. If they will sit for one or two extra hours they may be able to finish the Bill by tomorrow. We do not know what all amendments are coming. Honourable members may think over the matter. I will put the matter again after the adjournment motion is disposed of one way or the other.

MOTION FOR THE ADJOURNMENT OF THE BUSINESS OF THE HOUSE TO DISCUSS THE SITUATION CREATED BY THE PROPOSAL OF GOVERNMENT TO HAND OVER THE WORKING OF CERTAIN IMPORTANT TREASURIES TO THE IMPERIAL BANK OF INDIA.

Mr. Nedumangad R. Kesavan Nair: Sir, I move that the business of the House be adjourned for discussing a matter of urgent public importance viz., the apprehension created in the public mind owing to the recent decision of Government to hand over the working of certain important State treasuries, namely the Divisional Treasuries of Trivandrum, Quilon, Kottayam and the sub-treasuries at Ambalapuzha and Agastisvaram to the Imperial Bank of India. On the 19th of November 1937, a press note was issued by Government stating that they contemplated the opening of a new Land Mortgage Bank and that the treasuries mentioned above would be handed over to the Imperial Bank. The press note states that the creation of the Credit Bank is a reason for the handing over of these treasuries to the Imperial Bank. So far as I was able to make out from the Press note, I found the Government stating that by handing over these treasuries, we could have more safe banking facilities, there would be an easier transfer of funds, that the Imperial Bank would help us in the flotation of debentures and that it would receive applications for shares. It was also stated that the Agent of the Imperial Bank has kindly consented to advise the Board of the Credit Bank. These are the only reasons that have been alleged by the Government as to why the Imperial Bank should be entrusted with these surplus treasuries. I may, at the outset, state that the other treasuries that are not to be entrusted to the Imperial Bank are, most of them, deficit treasuries. The explanation, *prima facie* does not give us any convincing reason as to why the treasuries should be entrusted to the Imperial Bank at all. Apart from the fact that the Press note is a jugglery of words, we do not know what the exact meaning is. We were carrying on our transmission of funds very well and our cash was changed from one treasury to another without difficulties and without entrusting

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that work to any Bank. So far as the argument contained in the note regarding the flotation of debenture is concerned, my information is that the loan of 1936 was not collected through the Imperial Bank but through another Bank. Now the Agent of the Imperial Bank, it is alleged, has kindly consented to offer us some very valuable help in the matter of the administration of the Board of the Credit Bank. I ask what is the sanction for the Government to bring this proposal. We are not in a position to know as to why this step was taken at all. We have been requesting you, Sir, that you should take us more into the confidence of Government. In the matter of the University and Transport Schemes we have not been consulted. I submit that we may be dealt with in the manner in which we expect that we should be dealt with. It was up to the Government to give the legislature the reasons for taking this drastic step. Instead of doing that we find that all on a sudden the press note of the 19th November 1937 was issued saying that the treasuries are to be handed over to the Imperial Bank. I would like to point out certain fundamental defects as they appear to me by this proposal. By handing over the treasuries to the Imperial Bank an emblem of sovereignty belonging to us is surrendered.

President : The Imperial Bank would be our servants.

Mr. Nedumangad R. Kesavan Nair : I am glad that the assurance comes from the President that the Imperial Bank will be our servants. The next objection for doing so is that our financial secrets would unnecessarily be divulged to the Imperial Bank, essentially a foreign concern.

President : There are none,

Mr. Nedumangad R. Kesavan Nair : The third objection is that.....

President : Before the honourable member proceeds further I think he should be aware that the Imperial Bank has been our bankers for the last 45 years.

Mr. Nedumangad R. Kesavan Nair : Sir, I am aware of that. Nevertheless for the last 45 years our treasuries were peacefully transacting business without the help of the Imperial Bank. What is the necessity of this proposal and what is the exact contract between the Imperial Bank and the Government? Have the treasuries been actually handed over to the Imperial Bank? Wherein lies the necessity for entrusting the working of the treasuries to the Imperial Bank? I do not find any relevancy in the arguments stated in the Press note or any satisfactory explanation offered as to what the position of the Imperial Bank

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[Mr. Nedumangad R. Kesavan Nair.]

would be when the treasuries are handed over to it. I would invite the attention of the House to a sentence of the Banking Enquiry Committee Report wherein it is stated that the treatment that we are getting at the hands of the Imperial Bank is by no means desirable. This is what they say with regard to the Imperial Bank:

"Witnesses stated that the Bank discriminated against Indian traders and estate owners, but no specific instances were mentioned".

To a Bank that discriminated between Indians and foreigners, we are going to entrust our treasuries. We do not know whether they are going to give us anything by way of interest or whether we are going to give them anything by this arrangement for their supposed services. I heard the President stating elsewhere that in the matter of the floatation of currency.....

President: There is no floatation of currency. Probably what the member means is in popularising and enforcing our currency system. There is no floatation of currency because the currency is there already.

Mr. Nedumangad R. Kesavan Nair: Something like that was said. There is a problem to be confronted and that is that our cash would be accepted as legal tender only to a certain extent. If there is any trouble, why not another proclamation be issued and the trouble be rectified. The other arguments that are advanced in the press note are equally unsatisfactory and I have already brought them to the attention of the Government. I wish that the House would insist on an elucidation of the matter before we continue our further Proceedings.

Mr. K. R. Elankath: I wish to speak a few words in support of the motion. There is no denying the fact that there is some sort of anxiety in the minds of the public as to what it was that necessitated the Government to adopt a course which is different from the one which we were having till now. Sir, the accounting system in Travancore has been accepted to be very perfect. Treasuries, as they are managed, are ordinarily well managed by experienced officers of the State. There is legitimate apprehension among the public that it is because the State sometimes require greater resources for immediate expenditure than they could immediately find that.....

President: The State has so much resources that it does not know how to invest them. At present Rs. 25 lakhs are invested with the Imperial Bank. We have considerably more resources.

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We have no financial deficiency. That is why I said that there is no financial secrets.

Mr. K. R. Elankath : In spite of those large funds that we have, with the Imperial Bank, Government have been forced to issue a debenture loan.

President : That is because that is required for capital expenditure the benefit of which should be shared by the posterity. It is economic. Even though we might have ten crores of rupees as balance, nevertheless, loans will be floated in the case of capital expenditure.

Mr. K. R. Elankath : Sir, we know as a matter of fact that out of the borrowed capital, money has been spent for purposes other than reproductive schemes. There is an apprehension that if everything is well with our treasuries there is no need for an outside bank being entrusted with their working. With regard to the question of legal tender about which the President has made some remarks elsewhere, why not a Bank which is working within our State be bound with the rules prevalent in the State. Sovereignty in Travancore is supreme as far as affairs with in our State are concerned. Either by proclamation.....

President : As a result of the treaty between this Government and the Imperial Government, we cannot insist the Bank on our currency being taken in preference to foreign currency.

Mr. K. R. Elankath : As for that matter I very much doubt whether we are allowed to pay to the bank or to private parties as between themselves in the currency in which we want or is most convenient to us. Suppose a person owes me Rs. 500 and if he brings Chuckrams and cash worth Rs. 499 and single one rupee coin, I am not bound to receive it in the face of the existing proclamation limiting the legal tender of coins.

President : It is because it is not legal tender.

Mr. K. R. Elankath : With regard to legal tender the Bank should be compelled to take our coins. It need not be in preference to foreign coins or by rejecting them. In any case, it is up to the Government to make an announcement to the public as to the circumstances that necessitated them to take such a course. Generally, when one party makes an agreement with another it is supposed that there will be gain to one party and loss to the other party. Sometimes the profit and loss or advantages and disadvantages may be reciprocal. Here we are anxious to know whether the imperial Bank is the gainer or the Government, whether the Imperial Bank takes up the work gratis or whether there is any understanding between them and the Government as to any remuneration

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[Mr. K. R. Elankath.]

or profit in the transaction, and whether they are going to give at least the lowest interest for the surplus resources which are invested in the treasuries over which the bank is to have control. The Imperial Bank has reduced the rate of interest for deposits made by Government from 2 per cent, to 1 per cent. recently.

Mr. Kochickal P. Balakrishnan Tampi: May I know whether it is in the interest of public safety that the result of negotiation between the Imperial Bank and Travancore Government should be open for discussion ?

President: In this particular case it so happens that the information that is wanted is one that may well be supplied because it is as a result of the reduction of interest and difficulty of getting adequate interest from the Imperial Bank that this Government took away their investment of Rs. 30 lakhs.

Mr. K. R. Elankath: All matters which are considered as of public interest needs revelation.

President: But not when they are in the course of negotiation.

Mr. K. R. Elankath: Of course, when decisions have been arrived at and agreements have been executed. When agreements have been entered into and when some treasuries have been entrusted to the Imperial Bank, it is quite legitimate that we should demand further information on those matters. The Imperial Bank has, if I am correct, reduced the rate of interest on current deposit from 2 to 1 per cent. Government have been depositing their money in the Imperial Bank even after that: as we all know. They are our bankers. Who knows whether the surplus resources of the treasuries which are hereafter to be handed over to the Imperial Bank are to go free without any interest or whether we have even to pay them for keeping our money safe with them? These are matters which are kept out of information from the members of the legislature. My object in supporting this motion is not so much to oppose the action of the Government or to question the expediency of the course, but to get an authoritative statement from the head of the Administration as to the necessity which compelled the Government to adopt such a course and to explain whether it will be advantageous to the public to have such a kind of transaction with the Imperial Bank and whether the status of the State will, in any way be affected by handing over the working of our treasuries to a foreign concern over which the State has no control. These are matters which are not to be treated as trifles,

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but deserve calm and deliberate consideration by Government as well as by the members of the legislature and the public.

Mr. Kayalam Parameswaran Pillai : I rise to oppose the motion. The first complaint that is made is that the public were not taken into confidence in the matter of the transactions regarding this scheme. Really, just the reverse is the actual fact, and the honourable members must, it seems to me, be thankful to the Government for having promptly issued a press note in which they adumbrated their policy. From that press communique it will be noticed that the most important part of the proposal before Government is that the Imperial Bank should establish agencies at certain parts of the country where there are no such branches at present. Now what are the advantages of establishing such branches? That is the most important aspect of the question that should receive consideration. In these places the financing agency that is functioning at present must be a private money lender or a bank or such other credit institutions. These agencies, however, advance money only on very high rates of interest. If at these places the Imperial Bank would establish their agencies, what would be the result? The Imperial Bank's rate of interest is comparatively low and this Bank will advance money to the people at low rates of interest, and that will be to the benefit of the public in two ways. Firstly, they can get money from the Imperial Bank at low rates of interest and secondly, the other lending agencies will have to reduce their rates of interest too, lest they have completely to close up their business. I shall not dilate on this aspect of the matter, as the Banking Enquiry Committee's report, which has been referred to, has dealt with it. Paragraph 221 of that report says :

> "Before the advent of the Bank of Madras in the field of commercial finance, the Hundi merchants were holding complete sway. Not only as credit agencies but also as institutions for investment, the Hundi merchants enjoyed a great popularity The Imperial Bank has affected their business in two ways. In the first place, large investors naturally found in the Imperial Bank immeasurably greater safety and the Hundi merchants gradually lost the best class of investors. At the other end, the Imperial Bank's low rates of interest on advances attracted the section of the Hundi merchants' customers who could offer first class security for advances. The Hundi merchants had, therefore, to accept deposits which were both small and unsteady and to advance on securities which the Imperial Bank would not accept. These causes circumscribed the scope of the Hundi merchants' business which was also rendered more risky."

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Such is the view of that Committee.

Mr. Nedumangad R. Kesavan Nair: May I draw the attention of the Law Member to the next sentence?

> "It was complained to us that the Imperial Bank would not accommodate the Hundi merchants in times of stress, except under very severe restrictions, and the security demanded in most cases was Government of India paper."

Mr. Kayalam Paramesvaran Pillai: Yes, I have read it. But it was only a mere complaint. We do not know wether it was well-founded or ill-founded. Did the committee enquire at the truth of the complaint? They do not say anything. These complaints cannot lead us anywhere.

Mr. Nedumangad R. Kesavan Nair: May I know whether the member is aware that even the Travancore securities were not accepted by the Imperial Bank?

Mr. Kayalam Paramesvaran Pillai: The Imperial Bank, according to the law under which it works, can accept only certain securities.

President: The honourable member should realise that the Government of India do not recognise our securities as guilt-edged securities and therefore the Imperial Bank could not, on their own account, accept them as security. Now this Government have moved the Government of India to alter their position and they have agreed to accept our security and so, the Imperial Bank is enabled by its Act to accept our securities as equivalent to Government of India or any other security.

Mr. Kayalam Paramesvaran Pillai: It will be seen from the communique that the places where the Bank will establish new agencies or branches and places where there are Government treasuries. The Government therefore propose to entrust them with certain work which may in one word be called shroff work. The Bank will merely keep the Government money in safe custody when it is sent to them. They have nothing else to do with Government or Government transactions. They are merely bankers. Everybody knows what banking is. When money is sent to the Bank, they will keep it in safe custody and give a receipt for it. If we want the money to be paid to us or to any body else we draw a cheque. This is what the Imperial Bank will do in effect for Government. They are not dealing with our accounts. The accounts will be kept in Government offices or treasuries. When money has to be locked up they send it by a messenger to the Bank and get a receipt for it and when the money is wanted back they will send for it. Now I ask the question what is the objection to the Government doing this thing. I cannot think of any. I could have understood the criticism if it be stated that this

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Bank. is not a solvent Bank. As has been stated already, this Bank has been the bankers of Travancore for the last half a century. The question of solvency of the Bank is not raised and cannot be raised, and the objection to the Imperial Bank being our bankers is not put on any such consideration. So far as I can see, the only relevant consideration, is whether the Bank is solvent or not and whether it will pay us back our money. That criticism has not been made. An objection was however raised that they will know our secrets. This again is based on misconception. They only keep our moneys. The accounts are all with Government. If any honourable member keeps his moneys in a Bank, will the Bank know his secrets. And afterall what is the secret for Government money.

Mr K. R. Elankath: May I know the rate of interest for current account?

Mr. Kayalam Paramesvaran Pillai: The agreement is not complete.

Mr. Nedumangad R. Kesavan Nair: Have the treasuries been entrusted to the Imperial Bank?

Rao Bahadur A. Rengaswami Aiyar: No.

President: Has any agreement been concluded with the Imperial Bank?

Rao Bahadur A. Rengaswami Aiyar: Not yet.

Mr. Kayalam Paramesvaran Pillai: They are only to keep the Government money in safe custody and issue it when it is required. If Mr. Elankath or Mr. Kesavan Nair can do it, why not Government do it? As for secrets, where are they? The State Budget and the State accounts are published every year.

Mr. Kottur Kunjukrishna Pillai: May I know whether there is any financial secret of ours that they do not know?

Mr. Kayalam Paramesvaran Pillai: Everything is known to them and to everybody else.

Mr. K. R. Elankath: May I know then why the minor treasuries also are not entrusted to them?

Mr. Kayalam Paramesvaran Pillai: No treasury has been entrusted yet. The Imperial Bank must have a branch in the place before any moneys of that place is entrusted to them.

Mr. Nedumangad R. Kesavan Nair: May I know whether there are what are called surplus and deficit treasuries in the State?

Rao Bahadur A. Rengaswami Aiyar: No, Sir.

Mr. Nedumangad R. Kesavan Nair: May I know whether these six treasuries are surplus treasuries?

President: Is there anything like surplus treasuries?

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Rao Bahadur A. Rengaswami Aiyar: Surplus treasuries when the receipts exceeds the expenditure and deficit treasuries when the expenditure exceeds the receipts. In the case of the deficit treasuries we have to send money to those treasuries.

President: I take it that in certain places where Government give out a larger amount than the actual revenue collection they are often financed by the Government and they may indirectly be called deficit treasuries.

Mr. Nedumangad R. Kesavan Nair: May I know whether these six treasuries are surplus or deficit treasuries?

Rao Bahadur A. Regaswami Aiyar: I believe they are surplus treasuries. That does not affect the arguments.

Mr. Nedumangad R. Kesavan Nair: Sir, I rise to a point of order. Is it for the Financial Secretary to say whether a certain statement will affect the argument or not?

Mr. Kochikal P. Balakrishnan Tampi: On a point of order. Sir, is not the Law Member now in possession of the House?

President: Since a technical point was raised the Financial Secretary was asked to clear the position. Mr. Kesavan Nair will continue his research (*Laughter.*)

Mr. Nedumangad R. Kesavan Nair: On a point of order Sir, whether it is open to the Financial Secretary to say that my statement does not affect the argument.

President: Neither the observation of the Financial Secretary nor that of Mr. Kesavan Nair raise any point of order. Mr. Kesavan Nair will resume his seat.

Mr. Nedumangad R. Kesavan Nair: The Law Member has not answered my question. I want to know whether the treasuries which are not proposed to be entrusted to the Imperial Bank are deficit treasuries.

Mr. Kayalam Paramesvaran Pillai: The Financial Secretary will explain, in the course of his speech, the question of surplus treasuries and deficit treasuries. That is not however relevant to the position that I am explaining, which is that the Imperial Bank will merely be our Bankers at the places where they have branches.

Mr. K. R. Elankath: May I ask whether the proposal does not involve reduction of cash in the treasuries?

Mr. Kayalam Paramesvaran Pillai: It is not a question of reduction of cash. The cash that is physically in the treasuries transferred may be zero. But the cash at call, the cash that you can get for the mere asking is the entire cash that you could have kept in the treasury.

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Mr. K. R. Elankath: May I know whether the proposal will lead to any saving to the Government on account of reduction in the staff of the treasuries proposed to be transferred to the Imperial Bank?

Mr. Kayalam Paramesvaran Pillai: I believe there will be some little saving.

Mr. K. R. Elankath: May I know the approximate amount of such saving?

President: I propose to call the Financial Secretary to speak next; he will explain all that.

Mr. Kayalam Paramesvaran Pillai: As I was saying, Sir, the only objection that could be raised to the proposal is that the Bank is not a solvent one. That objection is not raised. That being so, what is the grievance? On the other hand, the scheme will bring money, at much lower rate of interest, to your very doors, so that the public should only be glad of it.

Mr. G. Narayana Aiyar: What is the advantage to the Government by the proposed transfer?

Mr. Kayalam Paramesvaran Pillai: They are saved from the necessity of keeping cash in their hands and guarding it.

Mr. G. Narayana Aiyar: What is the difficulty in doing that?

Mr. Kayalam Paramesvaran Pillai: It involves some little trouble.

Mr. Nedumangad R. Kesavan Nair: Will the Imperial Bank pay any interest for our money?

Mr. Kayalam Paramesvaran Pillai: That question is under consideration; negotiations have not yet reached a final stage.

Mr. K. R. Elankath: Am I to take it that before completing the negotiations, Government have decided to entrust the treasuries to the Imperial Bank?

President: It has been definitely stated that no final decision has yet been arrived at; negotiations are still going on. Because curiosity has been aroused on the matter, the adjournment motion has been admitted, so that such curiosity may be satisfied.

Mr. Kayalam Paramesvaran Pillai: I was trying to explain, Sir, that the opening of more branches of the Imperial Bank will be of immense benefit to the people of Travancore. In the towns especially where new branches are to be opened, the people will be able to borrow money at a low rate of interest, on proper security of course.

Sir, the mover pointed out that all these benefits expected from the opening of the branches of the Imperial Bank were mentioned in the Press Communique relating to the Credit Bank. Sir,

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[Mr. Kayalam Parameswaran Pillai]

there is nothing surprising in it. The Government were dealing with the whole question. The Credit Bank will grant long term loans. It cannot, serve commercial people to the extent to which a commercial Bank can serve them. Then, if long-term finance is to be provided, what about short-term finance? The Government therefore deal with the Imperial Bank also which will advance commercial, short-term loans. The Credit Bank will give long-term loans at low interest, and as for short-term loans, the Imperial Bank will give them at low rates of interest. That was what the Government wanted to convey by the communique. Sir, the people of Travancore should be grateful to the Government for the scheme, as thereby money will be available at their very doors at low rates of interest.

Rao Bahador A. Rengaswami Aiyar: Sir, the proposal is to transfer to the Imperial Bank only those treasuries as are now situated in the places where it is proposed to establish new branches of the Imperial Bank; in other places, the treasuries will remain under the Government. The Treasuries have not yet been actually transferred. Negotiations with the Bank are still in progress and it is not desirable to discuss the proposed terms in detail on the floor of the House at present. That may spoil our negotiations. The proposal is merely to transfer the cash section of the treasuries to the Bank.

Mr. Nedumangad R. Kesavan Nair: May I ask whether the transfer of the cash in some treasuries alone, to the Imperial Bank will not involve great difficulty in accounts?

Rao Bahadur A. Rengaswami Aiyar: There would be no difficulty whatsoever. As I said, the Imperial Bank will take up only the cash section of these treasuries. The other sections of the treasuries will remain exactly as they are. To that extent the work in the treasuries will be reduced. It is not right to say that it is proposed to transfer the treasuries bodily to the Imperial Bank. In fact, the major part of these treasuries will continue as they are. In certain important centres the Imperial Bank will open branches which will take over the cash section alone of the treasuries in those places.

Mr. M. S. Anirudhan: What are the benefits which the Government expect from this arrangement?

Rao Bahadur A. Rengaswami Aiyar: I am coming to that. First and foremost it saves the Government from the risk of handling cash and keeping it in safe custody. As honourable members are aware, recently, there was loss of Rs. 10,000 in the

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Trivandrum treasury ; now and then defalcations occur. All that could be saved if we hand over the cash in our treasuries to the Imperial Bank. They will undertake the responsibility and account for the cash entrusted to them.

Mr. M. S. Anirudhan: Am I to understand that the proposed transfer of certain treasuries to the Imperial Bank is to guard against defalcations and thefts in the treasuries?

Rao Bahadur A. Rengaswami Aiyar: The Imperial Bank will hold itself responsible for the cash entrusted to it. That is a service which every bank does for its clients.

Mr. Nedumangad R. Kesavan Nair: Am I to understand that our cash will be more secure with the Imperial Bank than with our Government treasuries? Are there not military guards posted at our various treasuries and sub-treasuries?

Rao Bahadur A. Rengaswami Aiyar: Money is lost not only as a result of theft ; military guards can only prevent that.

Mr. Nedumangad R. Kesavan Nair: Then, was it a case of defalcation that occurred in the Trivandrum Divisional Treasury?

Rao Bahadur A. Rengaswami Aiyar: Not exactly that.

Mr. Nedumangad R. Kesavan Nair: Was it not a case of theft?

President: The Financial Secretary will proceed.

Rao Bahadur A. Rengaswami Aiyar: The following are some of the advantages in the proposal to transfer the cash in some of our treasuries to the Imperial Bank ;

(1) The Imperial Bank will undertake the responsibility for the safe custody and handling of our cash, and they will do it free.

(2) The moneys lying in our treauries are not now earning any interest ; they are lying idle. We are now negotiating with the Imperial Bank with a view to make them pay some interest for our money, up to a certain limit. Since we have not come to a final decision in the matter I cannot freely discuss it on the floor of this House.

Mr. K. R. Elankath: May I know the approximate saving by reduction of hands in the treasuries which are to be transferred to the Imperial Bank?

President: I think honourable members who have doubts may keep a note of them and put questions towards the close of the Financial Secretary's speech.

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Rao Bahadur A. Rengaswami Aiyar: I was submitting, Sir, that our moneys which are now lying idle in our treasuries will yield us some return when we hand it over to the Imperial Bank; at any rate, we will get something more than what we get now. As a matter of fact, Sir, there is nothing new in the proposed arrangements. The Government of India is doing it, and several other Indian States are doing it.

Mr. M. S. Anirudhan: May I know the names of those States?

Rao Bahadur A. Rengaswami Aiyar: Jodhpur, for instance.

President: I do not think it is necessary to name them; most of them do it.

Rao Bahadur A. Rengaswami Aiyar: Another great advantage in the proposed arrangement is that the Imperial Bank has agreed to bring Travancore coins into greater currency than at present; it is proposed to declare our half-rupee coins legal tender without any limit. That will yield us a substantial income. That is a very great advantage.

Mr. K. R. Elankath: Am I to take it that our coins will be circulated outside Travancore?

President: Under the treaties, that cannot be; honourable member, being a lawyer, knows it quite well.

Rao Bahadur A. Rengaswami Aiyar: Another great advantage in the proposed arrangement is this. The new branches of the Imperial Bank are going to do commercial banking also; and we are not going to pay them anything for the opening of these branches. As a matter of fact, the Government of India pays them several lakhs for opening branches and extending their operations; and other Indian States also do it. Now, as a part of our agreement, the Bank has agreed to open these branches without any special payment. That is an important advantage.

The advantage to the public by the bank opening its branches in various centres has been explained in detail by the Law Member. The people in these towns are going to have a first rate, efficient, stable and absolutely safe commercial bank for their service; and they can borrow at a rate much lower than that charged by other banks. As a matter of fact, the primary object of the present arrangement is to supplement the Credit Bank which will only grant long-term loans. The Imperial Bank undertakes all banking transactions. That is a great advantage to the people.

The arrangement is also of considerable pecuniary advantage to the Government. If the Imperial Bank had not agreed to open

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these branches, Government would have been forced to open commercial banks in these places.

Incidentally, the proposal also improves the efficiency of our treasuries. It is a common complaint that you have to spend a whole day in the treasury to get money for your cheque, whereas you get it almost immediately from the Imperial Bank.

Mr. K. K. Kuruvilla: Is it not possible for the Government to make the treasuries more efficient?

Rao Bahadur A. Rengaswami Aiyar: This is one method of improving the efficiency of the treasuries ; because the officers and staff will be relieved of the very responsible cash work and can concentrate their attention on other aspects of treasury work. After all, there is nothing wrong in our treasuries. The officers have too much work to do. It is revenue officers that are in charge of the treasuries also. Naturally, they cannot concentrate their attention on treasury work; and, since money is involved, they have to be very careful. That is why there is considerable delay in payment in the various treasuries.

Mr. K. R. Elankath: Is there any defect in the present system obtaining in our treasuries?

Rao Bahadur A. Rengaswami Aiyar: No; it is the same as the one obtaining in British India ; as I said, in British India, most of the treasuries have been handed over to the Imperial Bank.

President: Will the Financial Secretary please say whether there is any important treasury in British India, any important town where the treasury is not run by the Imperial Bank ?

Rao Bahadur A. Rengaswami Aiyar: No, almost all the important treasuries have been handed over to the Imperial Bank in Madras.

Mr. K. K. Kuruvilla : There may be some financial understanding between a foreign bank and a foreign Government.

President: Order, order. I think there has been some misconception in the matter The Imperial Bank is not a foreign Bank, because a large majority of the shareholders are Indians. The president of the Madras Bank was till recently Mr. Ramaswami Mudaliar and practically every president of the Bank's branches is an Indian. A large majority of the share-holders, as I said, are Indians and they are making the bulk of the directors Indians.

Rao Bahadur A. Rengaswami Aiyar: Sir, another big advantage from the financial point of view is that the monies in these treasuries which are going to be transferred are now lying idle. They are not available for use for commercial and industrial purposes.

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Mr. K. R. Elankath: May I know from the member, whether it is a fact that delay is caused deliberately in the treasuries by the subordinates with some end in view?

Rao Bahadur A. Rengaswami Aiyar: I do not know. Of course it is wellknown to everybody here that there is delay in the treasuries. I was saying that we want to utilise the balance in these treasuries for commercial and industrial purposes also. The best method for making this balance available for the trader and the commercialist and the industrialist is to place it at the disposal of a bank. The bank will utilise this for making loans and advances to the trader, the commercialist and the industrialist. So we hope that the Imperial Bank will under the new arrangement be more fully responsive to the legitimate needs for improving the trade and industry of this State. Sir, we hope to persuade them to be more responsive. Sir, it was stated that the Imperial Bank is not helping the Indians to the same extent as it is helping Europeans. As a matter of fact, it will be one of our conditions that they will give the same facilities and the same concessions to the Indian trader and the Indian industrialist as people say they are extending to the Europeans. That is one of our main objects. Our object is to give the people a first class commercial bank in which they will get cheap money and the same facilities as it is stated are being extended to Europeans. They will get Government balances also indirectly for the needs of trade and industry. That is from the public point of view. From the Government point of view this transfer is not going to cost us anything. It will cost more or less the same as the running of the treasuries is costing at present. We have not got to pay the Imperial Bank anything more than what will cost us at present to run these treasuries. So I think the proposal is most beneficial to Government financially and in other respects, and it is beneficial also to the public. So I can imagine no objection whatever to the proposal either from a business financial point of view and from any other point of view. So I beg to oppose the motion before the House.

Mr. Nedumangad R. Kesavan Nair: The Financial Secretary stated that there was a case of defalcation of ten thousand rupees. Was it a case of defalcation or was it a case of theft?

Rao Bahadur A. Rengaswami Aiyar: Probably, it was a case of theft. I referred both to defalcations and thefts, and I referred to that only as an illustration. I was not saying that particular case was one of theft or of defalcation. As I said, it does not affect the principle which I was trying to state to the House.

Mr. James Fletcher: The honourable member, the Financial Secretary, gave us the detailed advantages which the State

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would derive by handing over certain treasuries to the Imperial Bank. May I know what advantages the Imperial Bank will have by this transaction? No Bank is going to do charity for another.

Rao Bahadur A. Rengaswami Aiyar: Sir, I represent the Government and it is not for me to look at the question from the point of view of the Imperial Bank. But I may inform the House that the extension of banking facilities is what the Government of India and the Reserve Bank have at heart. They have got schemes for providing a network of banks throughout the length and breadth of this country.

Mr. M. K. Ananthasiva Aiyar: May I know from the member whether the starting of the branches of the Imperial Bank will improve the businesslike habits of the agriculturists of the place?

Rao Bahadur A. Rengaswami Aiyar; I do not know. Our Credit Bank will deal with them because they require long-term loans. Commercial banks are not intended for the agriculturists. They are intended for the commercial people.

Mr. Kottur Kunjukrishna Pillai: Sir, I oppose the motion, but I am glad that the honourable member has brought this motion for the discussion of the House.

Mr. Nedumangad R. Kesavan Nair: On a point of order, I wish to know whether any member can speak after the Government member has replied.

President: There is no objection at all. The Government member may be called to speak at any time. He has got the right to reply at the end if he so chooses' and if he has exercised the right of reply no body can speak after that. I may add that in order to make clear the position of Government I deliberately called upon the Government member to talk fairly early in the discussion so that further discussion may proceed on the basis of what he says.

Mr. Kottur Kunjukrishna Pillai: Though, there is no apprehension, I concede, Sir, that there was want of understanding in this matter. That was made very evident in the discussions here and elsewhere. Therefore we get and the country as a whole gets a clear statement as to the advantages that we are going to gain by this transfer of the treasury work in five places. Sir, sentiment could be raised by saying that the treasuries are handed over to a foreign bank. It is well known that the Bank has been constituted under statute passed by the Indian Legislature. We are all talking of Indian unity and co-operating with the rest of India and thinking in terms of Indian Unity. Yet we call this Bank a foreign

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[Mr. Kottur Kunjukrishna Pillai.]

Bank. In what sense, I fail to see. I am opposing this motion and supporting the proposal for handing over the treasury work on one main and important factor. That has been alluded to in very clear terms by the Financial Secretary. I think that the State stands to gain considerably by making the State coins more current and enforcing and facilitating the circulation of our coins to a greater degree. Sir, it has been pointed out elsewhere and authoritatively that the British Government gains nearly six annas in every rupee that is being circulated.

Mr. G. Narayana Aiyar: May I know whether the Imperial Bank have undertaken to circulate our coins out side Travancore?

Mr. Kottur Kunjukrishna Pillai: No. Sir, they need not circulate our coins outside the State. The circulation of the coins can be augmented inside the State and there will be gain if it is done. And this can be done by no other bank except the Imperial Bank as it is constituted at present and as things stand at present. We will be gaining by this and this alone a fair amount of money and we may keep it for expenditure on ameliorative measures for the people of Travancore without recourse to taxation. I consider that to be a matter of paramount importance, because we are able to raise money thus without any hardship to any one. Our coins will also gain greater prestige and I am sure, if Government take proper care to see that our coins are circulated properly with the aid of the Imperial Bank, we will be able to a much greater extent than it is possible now to oust the British currency to a considerable extent from circulation and to have our own coins more freely circulated. Sir, who can object to that and who can gainsay the definite advantage that we gain by that system? I think that the whole matter has been very clearly explained and I do not think that there will be any apprehension or misunderstanding with regard to this matter hereafter. I am particularly happy to find that this adjournment motion has given an occasion for elucidating a matter regarding currency and treasury work which are not very clearly understood popularly, and even in circles considered to have greater knowledge, because we are not commercial people and we use terms like legal tender, unlimited and limited legal tender, without fully comprehending the meaning. Therefore, I oppose the motion, Sir.

Mr. M. Govindan: May I know from the member, how he could raise money without taxation?

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Mr. Kottur Kunjukrishna Pillai: Sir, I see that my point has been proved that it is rather difficult for people to understand questions regarding legal tender and the gain that we derive by greater circulation of currency. If it is admitted, I hope the honourable member will not ask me to explain that also. I hope the honourable member will concede that the Government of India makes a definite profit of nearly six annas in every rupee that is circulated in the State. If the member asks me how that is made I will have to explain that the silver content of the rupee is worth only less than ten annas, that is less than the face value of the rupee by about six annas. If that is so, if they make a gain of six annas for every rupee, when we issue our own coin we will also be gaining in like manner a certain amount just as the British Government is gaining from the rupees that they circulate. If that is conceded, if we are able with the aid of the branches of the Imperial Bank operating in the matter of disbursement of pay and various other kinds of disbursement to issue our own coin, and if we are able to enforce this, which we will be able to do only if they are our agents in the management of our treasuries, it can be seen that our coins can be made to circulate much more than it is done at present.

Mr. M. Govindan: May I know how the employment of the Imperial Bank as our agent will enable us to circulate more of our coins?

President: I think, that will be explained presently by me as I propose to address the House.

Mr. Kottur Kunjukrishna Pillai: I have tried to explain it as much as I can. Now if the Imperial Bank is asked to meet a cheque for the payment of salary, it may give it in British coins and it may not for instance receive our coins for more than two rupees which alone is legal tender. If they are our agents, we can see that they issue and accept our coins to a larger extent.

Even though it is our coin, they may not accept payment in their branches. It is not unlimited legal tender so far as they are concerned. But if we come to some agreement, they may be induced to take more of our coins, though legally they may not be bound to take them. Now, our coins are not in circulation to the extent to which it can in their branches, whatever you call them.

President: As this is a matter in which any misapprehension is likely to cause great confusion and distrust in the popular mind, I think it is my duty to make a statement before putting this motion to vote. In the first place, let it be observed that the Imperial Bank of India is not now a foreign concern in the sense

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[President.]

in which we use that expression. I shall just read out to the House from the report of the proceedings of the seventeenth Annual General Meeting of Shareholders held in Bombay on Monday the 23rd August 1937 the Members of local Boards at Calcutta, Bombay and Madras. The Directorate is as follows :—

H. H. Burn, Esq., (Messrs Meleod & Co., President.
The Honourable Mr. J. Reid Kay (Messrs. James Finlay & Co., Ltd.,) Vice-President.
Rai Bahadur Moongta Lall Tapuriah (Messrs. Gopiram Gobindram).
Jadu Nath Roy, Esq., (Messrs. Premchand Janokinath Sitanath Roy).
J. A. McKerrow, Esq., (Messrs. Bird & Co., and F. W. Heilgers & Co.)
R. W. Weir Paterson, Esq., (Messrs. Jardine Skinner & Co.)
Comdr. S. C. Lyttelton, O. B. E., D. S. C., R. N. (Retd.) (Messrs. Gillanders Arbuthnot & Co.)

Sir Nowroji Saklatvala, K. B. E., C. I. E. (Messrs. Tata Sons, Ltd.) President.
Sir Byramjee Jeejeebhoy (Messrs. Byramjee Jeejebhoy & Co.) Vice-President.
L. A. Halsall, Esq. (The Anglo-Siam Corporation, Ltd.)
Sir Rahimtoola M. Chinoy, J. P. (Messrs. F. M. Chenoy & Co., Ltd.)
Mathuradas Vissanji, Esq. M. L. A. (Messrs. Vissanji Sons & Co.)
F. F. Stileman. Esq. (Messrs. Killick Nixon & Co.)
Sir John Abercrombie, M. C. (Messrs. Wilson Latham & Co., Ltd.

Sir William Wright O. B. E., V. D. (Messrs. Parry & Co., Ltd.) President.
S. V. Ramaswamy Mudeliar, Esq,, Vice-President.
C. G. Alexander, Esq., (Messrs. T. A Taylor & Co.)
Rao Bahadur V. Thiruvengadathan Chetty.
The Honourable Dr. Rajah Sir S. R. M. Annamalai Chettiar.
H. M. Small, Esq. (Messrs. King & Partridge)
G. A. Bambridge, Esq. M. C. (Messrs, Binney & Co. Madras).

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So, it will be seen that a large proportion of the Directors, both Central and Provincial, of the Imperial Bank of India are Indians and it is common knowledge now that the vast bulk of the shareholding of the Imperial Bank of India rests with them. Time was when it was different. But things are changed, mainly, on account of the greater growth of the banking consciousness in this country, so that it might be said that, as in the case of the Reserve Bank, this concern also is essentially Indian. As a matter of fact when Mr. S. V. Ramaswami Mudaliar recently died, Mr. Shunmukham Mudaliar was nominated as his successor.

Now therefore there is no question that there is any anti-Indian bias or anti-Indian policy in connection with the Imperial Bank. There is no doubt that the Imperial Bank is conservative and they do not make a secret of their being conservative. In other words, they do not advance money on anything but good security and they do not give more than a very moderate rate of interest; three per cent. or three and a half per cent. is the utmost they offer. Generally, they are content with three per cent. Now, the advantages have already been indicated. Let me say at once that it was the object of Government in publishing the communique to deal with the whole problem of banking, both long-term banking and short-term banking. The Government came to the conclusion that money is lent out in this State at high rates of interest both by concerns and by individuals and that both commercial men and agriculturists have to pay large sums by way of interest on money borrowed by them. No Government can directly deal with the question of commercial banking because commercial banking is not within the ambit or the purview of Government. But tackling the general question of what may be called the internal resources and the indebtedness of the people, Government realised, and Government could not but realise, that if people do not get money at cheap rates of interest and have to pay interest at 8 per cent. nominally but really 15 per cent. in truth or something of the kind they cannot rehabilitate themselves either agriculturally or industrially. Therefore the Government came to the conclusion that the problem of commercial indebtedness, of short-term credit, should be dealt with at the same time as the question of long-term credit. That was the reason why the recent communique was issued. The opening of fresh branches by the Imperial Bank, as has been rightly observed, is a kind of supplement or complement to this Bill, the Travancore Credit Bank Bill. This agreement with the Bank has not yet been entered into ; and it will not be entered into if Government realises that the Imperial Bank is not willing or not able to

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[President.]

extend its operations so as to benefit the people of the State, generally speaking.

Now, something was said of surplus treasuries and deficit treasuries. It might be a kind of poetic licence—finance is not generally connected with poesy –it might be a kind of poetic language to say so. But there is no such thing as a surplus treasury or a deficit-treasury because a treasury is only one, that is the Government. Government sends out certain money to certain places and gets money from certain places. It may be that in one part of the country, let us say Nanjinad over which my friends are eloquent, on account of the, let us say, excessive taxation, Government get much revenue and that money comes into the treasury whereas the amount that they have to pay by way of salaries to the officials in Nanjinad is much less than the money they collect from the people. That is why it is called surplus treasury. There is no independent existence of one treasury as a surplus treasury or another as a deficit treasury. Another place it may be half deserted and then you find we have to keep up a large establishment though we get little by way of revenue. Therefore, the money goes out from the Government to this place and not much comes back from this place to the treasury. That is a deficit treasury. It means nothing practically, because, the treasury agency is only the Government. It is the Government in actual operation just as one branch of a company may be prosperous and another banch of the company may be less opulent. Nevertheless, the company itself may be prosperous. These expressions are, in reality, a kind of jargon, if I may use the expression.

The Government asked that the Imperial Bank should establish branches in certain places. In other words, they wanted the Imperial Bank to be a little more enterprising than they have been in the recent past. They wanted the Imperial Bank to establish branches and to lend money at cheap rates in certain important centres of population, agriculture, trade and commerce, in Travancore, hoping thereby to make the rate of interest lower and to enable money to circulate more effectively amongst the people there. Then, after having made up their minds that the Imperial Bank should establish branches in certain places, they say to the Bank "there are our treasuries in such and such places. Will you manage them as our agents" ? The Imperial Bank comes there as our agents. It is not a question of handing over the treasuries to the Imperial Bank in the sense of making them owners or masters. In the pristine days people kept their money in stockings in England and Scotland and underneath ovens or on the top of rafters here.

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Later on the question of banking came up and people put their money in banks. We simply put our available money into this Imperial Bank on certain terms. Those terms are now under discussion. It is not a question of handing over the treasuries to them. The Imperial Bank have nothing to do with the financial policy of the Government. The Imperial Bank have nothing to do with the accounts of Government. They are our agents for the purpose of managing a particular office at a particular place, subject to our directions and under our orders. That is all and it is nothing more and it is nothing less.

The next point that arises for discussion is about financial secrets. Individuals may have financial secrets, and individuals very often have because nobody should know what the transactions of individuals are, what their indebtedness is and what their assets are. There might be a little reason for keeping things back in regard to individuals, but in a well conducted Government so far as finance is concerned, there cannot and should not be any secrets. Their budgets are open to the severest scrutiny. We do not generally borrow for unremunerative enterprises. We pay interest on the monies we borrow and the way in which interest is paid by us must be known to the people at large. Therefore there are no financial secrets by the possession of which the bank will have a hold on us.

Then the question of benefit comes. Some talk arose as to currency. The question is very simple. At the present moment—and I think it ought to be made perfectly clear—there are certain treaties and agreements between the British Government and ourselves. Under these treaties and agreements the British coins circulate freely within our State. Unlike most other States in India, we have a parallel right of circulating our own coins. Many years ago the Travancore Government issued a proclamation enabling it to circulate one-rupee coins. But that Proclamation has been kept in abeyance. They issued a Proclamation enabling the circulation of half-rupee, quarter-rupee and copper coins. But later on that right was limited to two rupees beyond which half-rupee coins are not legal tender. Negotiations are now underway with the Government of India by which it is hoped that this limit of two rupees will be raised and we shall be able to circulate our coin to an unlimited extent in the State. Now, if the Imperial Bank and ourselves do not enter into a combination, what is the result? The Imperial Bank, under its own rules, acting under the statute forming it, is entitled to say that it will not deal with our coins. It is entitled to say that. We are now endeavouring to enter into negotiations with the Imperial Bank by means of which it will be acting as our agents for the purpose of circulating our coins. If we succeed in these two endeavours it means that the profit which the British

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[President.]

Government is making of about a third in respect of each coin may be shared by us up to a certain extent. That is our hope. It depends upon the success of our negotiations. I do not wish to say anything further. But that is also a part of the general negotiations. I have made it perfectly clear and I have taken the people into confidence in order that there might be no hesitation on this. It is not that the Bank do not stand to gain. They do stand to gain up to a certain point. Government have made it clear to the Imperial Bank that where we do not benefit by their policy we shall not be utilising them. We kept all our monies with the Imperial Bank who paid us only one per cent. interest in their current accounts. The Imperial Bank, conservative as they are and rightly so, have got many interests to look after and to safeguard and they found it difficult to give us more than that. We came to the conclusion that there were certain other banks on whose solvency also we can rely. Therefore we took 25 lakhs out of the Imperial Bank and put it in another bank. Again we found some other bank on whose solvency we can rely. We took another 5 lakhs out of the Imperial Bank and put into that bank. Therefore it is not that this Government is not aware of its rights and the possibilities in this matter. We are entering into this transaction not as a kind of dependent asking for favours. We treat them as our agents. They are commercial men. They are business men. They will benefit and we too shall benefit. Whether on the whole the negotiations are such that we are going to benefit at least as much as they benefit is a matter which depends upon skilfulness of the negotiators and upon the patriotism of those in charge of the negotiations. That is the sum and substance of the matter, and it is well that this matter came up before the House in this discussion even before the negotiations are finally concluded, so that honourable members may see that there is nothing to be kept back and the result of the discussion is not to the discredit of this Government, but to its manifest advantage.

Mr. Nedumangad R. Kesavan Nair : Sir, I beg permission to withdraw the motion.

The motion was, by leave, with drawn.

After ascertaining the sense of the House that the Bill may be proceeded with the next day till it is finished, the House was adjourned.

President : The House will now rise and meet again at eleven o' clock tomorrow.

The Council adjourned at 4-45 P. M.

E. I. CHACKO,
Secretary to the Sri Chitra State Council.

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